STATE OF UTAH CONTRACT

1. **CONTRACTING PARTIES.** This Contract is between the Utah State Tax Commission ("Commission"), Agency Code 120, and the following contractor:

Data Compression Technology Inc.
7985 Sunkist Boulevard
Minneapolis MN 55444

016341
CONTRACT NUMBER

Donald Pehta   1-800-451-7829
Contact Person   Phone Number

411783879   **68758J**   20837000000
Federal ID#   Vendor Number   Commodity Code(s)

LEGAL STATUS PF CONTRACTOR: For-Profit Corporation

2. **GENERAL PURPOSE OF CONTRACT:**
   STAX-On line query system for State and Federal tax returns.

3. **PROCUREMENT:** This contract is entered into as a result of the attached pre-approved sole source.

4. **CONTRACT PERIOD:** Effective date: 01/01/01 Termination date: 12/30/02 unless terminated early or extended in accordance with the terms of this contract. Renewal Options (if any): Three one (1) year renewal.

5. **CONTRACT COSTS:** CONTRACTOR may be paid a maximum of: $130,000.00 for costs authorized by this contract.

6. **ATTACHMENT A:** State of Utah, Standard Terms and Conditions.
   ATTACHMENT B: Utah State Tax Commission Standard Terms and Conditions
   ATTACHMENT C: Data Compression Technology Inc. Proposal

   Any conflicts between Attachment A and other Attachments will be resolved in favor of Attachment A.

7. **DOCUMENTS INCORPORATED INTO THIS CONTRACT BY REFERNCE BUT NOT ATTACHED:**
   A. All other government laws, regulations or actions applicable to the goods and/or services authorized by this Contract.
   B. Utah State Procurement Code and Procurement Rules.

   IN WITNESS WHEREOF, the parties sign and cause this contract to be executed.

CONTRACTOR		**STATE OF UTAH**	
Contractor's Signature	Date	Division Director	Date
Contractor's Name		Budget Officer	Date
Title		Contract Officer	Date
		Rodney G. Marrelli, Executive Director	Date
		Director, Division of Purchasing	Date
Michael Rigby 801-297-3874			
Agency Contact Person Telephone Number		Division of Finance	Date

Perspective and Needs Assessment:

The Utah State Tax Commission has a need for an information system that provides rapid retrieval and display of state and federal tax return data. This information needs to be accessed for auditing, compliance, and statistical analysis.

Data Compression Technology, Inc. (DCT) proposes the implementation of a pilot program to evaluate **STAX** (State Tax Automated Compliance System.) The **STAX** software system employs proprietary data compression logic that will permit selected Utah state and federal returns to be stored on a single microcomputer hard drive. The system will allow controlled access for multiple users for any return via the State's existing micro-computer hardware.

Scope:

This proposal relates to a six month pilot program that would include federal 1040 data, and as options, state individual income tax, and federal 1099 and W-2 data. **STAX** utilizes data from the IRS IMF and IRTF data tapes to store copies of a taxpayer's 1040 form and related schedules. It includes the storage and retrieval capabilities for a two page state tax return. DCT will respond to any requests by the State for inclusion of other types of returns, data, and/or other special features. The delivered product will provide the following functions:

◆ **Loading of State and federal Tax returns:** DCT will provide software that will convert your state and federal data to our proprietary format. It will be customized to incorporate from one to three years of state and federal data to be downloaded to the target PC. DCT will download the latest available data as supplied by the IRS.

New returns for each successive year can be merged with the existing database as they become available.

◆ **Retrieval of State and federal Tax information:** DCT will provide a query system which will search all available records, locate and display a specific tax return, and/or print State and federal tax return information as it appears on state and federal forms. As an option, matching programs will be developed to scan excise tax information and match available information to 1040 and state return data.

◆ **Selection Criteria:** Returns for individual or specific population segments can be accessed based on social security number, name, address, income levels, filing status, or other data.

Searches can be tailored to provide optimum response time for the user. For example, if 5 million tax returns are scanned for a single line item comparison, the actual processing time well be approximately 2 minutes.

◆ **Statistical Analysis:** Population segments can be analyzed based on dollar amount,

geographic location, or any other field on the return. The data can be stratified according to predefined income brackets or other user selected criteria.

Approach:

DCT will provide this system in three separate phases.

Phase I - Analysis

DCT will examine your state returns and develop detailed specifications for customizing the **STAX** product. We will examine your state data record layout and incorporate the data and associated Document Locator Numbers into the **STAX** database.

Phase II - Product Installation

DCT will install the finished product on your existing equipment, then download all required State and federal returns. We will provide on-site support for the initial implementation of the system. During this phase, you will be able to test the product. DCT will correct any deficiencies that deviate from the specifications. We will make other requested changes on a time and materials basis.

Phase III - Ongoing Support

DCT will provide initial (group) training for the system. Ongoing support and consulting for one year from the date of implementation. Support for subsequent years will be provided with a yearly maintenance and support agreement.

Program Specifications:

Programs supplied by DCT will include proprietary compression algorithms, screen I/O handlers, and logic to facilitate statistical analysis. If desired, DCT will assist in developing programs that will allow comparison of tax return and other types of data, such as matching the ownership of luxury vehicles (DMV data) or addresses (Postal data) with specific income levels, PIA codes, or filing status. These samples can be used to project population characteristics.

We will customize the load and queries to meet your needs, install, test the software, provide documentation, and support the system for the duration of the pilot program.

Adding special security features such as log-ins, user numbers, and security codes can be implemented to minimize the risks of user abuse.

Baseline Hardware Requirements:

Not included: Micro Computer: Pentium-500 with 64 mb memory, 2 each 9 gigabyte IDE hard drives for data storage, and Windows NT Workstation 4.0 Operating System

Options and cost:

License fees for STAX are an annual fee based on the number of returns loaded. The initial license includes the processing of the three latest available years of federal and state data. Each susbsequent year's data is processed and loaded upon renewal of the license agreement.

Initial License Fees for STAX programs for:

A. Federal IMF, IRTF, and IRMF data for tax years 1997-1999 $40,000.00

B. Includes Option A and State returns for 1997-1999 $20,000.00

C. BMF/BRTF module with state corporate data for 1997-1999 $10,000.00

Total first year's cost $70,000.00

Annual Renewal fee for above modules $60,000.00/year

A six-month trial license for the above modules (Tax Year 1997-1999 1040 and state individual return data and one year latest available IRMF and BMF data) is available for a one-time fee of $15,000. If the license is renewed within the six month trial period, the trial license fee will be credited towards the $70,000 first year license fee.

This will include Phases I and II above. We will customize the load and queries to meet your needs, install, test the software, provide documentation, and support the system for the term of the license agreement.

Delivery:

Upon your acceptance and authorization to proceed, DCT will deliver a finished product in January of 2000. You will agree to provide suitable hardware and sample state data (if desired) and tax forms 60 days prior to delivery.

AMENDMENT NUMBER 1 to CONTRACT NUMBER 016341

To be attached to and made a part of the above numbered contract by and between the State of Utah, Utah State Tax Commission, referred to as Commission and Data Compression Technology Inc. referred to as Contractor.

THE PARTIES AGREE TO AMEND THE CONTRACT AS FOLLOWS:

1. The contract period is amended

   - From: 01/01/03
   - To :   12/31/03

2. The dollar amount of change to the contract for this amendment is: $60,000.00

3. The total contract amount is now changed:

   - From: $130,000.00
   - To: $190,000.00

4. The contract now reads: 4.Contract Period: " Effective date 1/01/01. Termination date 12/31/02,…"
   The contract is amended to read: 4. Contract Period: "Effective date 01/01/02. Termination date 12/31/03,…"

5. Effective Date of Amendment: 01/01/03

All other conditions and terms in the original contract remain the same.

IN WITNESS WHEREOF, the parties sign and cause this Amendment to be executed.

_____		_____	
Contractor Signature	Date	Division Director	Date
_____		_____	
Contractor Name (Please Print)		Budget Officer	Date
_____		_____	
Title		Contract Officer	Date
		_____	
		Rodney G. Marrelli, Executive Director	Date
		_____	
		Director, Division of Purchasing	Date

_____

Division of Finance   Date

AMENDMENT NUMBER 2 to CONTRACT NUMBER 016341

To be attached to and made a part of the above numbered contract by and between the State of Utah, Utah State Tax Commission, referred to as Commission and Data Compression Technology Inc., referred to as Contractor.

THE PARTIES AGREE TO AMEND THE CONTRACT AS FOLLOWS:

1.   The contract period is amended

- From: 01/01/01
- To :   12/31/04

2.   The dollar amount of change to the contract for this amendment is: $60,000.00

3.   The total contract amount is now changed:

- From: $190,000.00
- To : $250,000.00

4.   The contract now reads: 4. Contract Period: "Effective date 01/01/01. Termination date 12/31/03,…"
        The contract is amended to read: 4. Contract Period: "Effective date 01/01/01. Termination date 12/31/04,…"

5.   Effective Date of Amendment: 01/01/04

All other conditions and terms in the original contract remain the same.

IN WITNESS WHEREOF, the parties sign and cause this Amendment to be executed.

_____   _____
Contractor Signature   Date   Division Director   Date

_____   _____
Contractor Name (Please Print)   Budget Officer   Date

_____   _____
Title   Purchasing Agent   Date

                                                   _____
                                                   Rodney G. Marrelli, Executive Director   Date

                                                   _____
                                                   Director, Division of Purchasing   Date